STATE OF IOWA

DEPARTMENT OF COMMERCE

UTILITIES BOARD

IN RE: IES UTILITIES INC. and INTERSTATE POWER COMPANY	DOCKET NOS. TF-00-19 TF-00-20 (WRU-99-38-150, WRU-99-39-151)

ORDER REJECTING TARIFFS

(Issued February 25, 2000)

On January 27, 2000, IES Utilities Inc. (IES) and Interstate Power Company (Interstate) filed with the Utilities Board (Board) proposed tariffs, identified as TF-00-19 and TF-00-20, to implement limited waivers of 199 IAC 20.9(2)"b"(6). The limited waivers were granted by Board order issued December 29, 1999, in Docket Nos. WRU-99-38-150 and WRU-99-39-151. The order allowed IES and Interstate to recover the cost of providing "net billing" to alternate energy producers (AEPs) pursuant to 199 IAC 15.11(5) through the utilities' energy adjustment clauses. The Board noted the waiver was being granted to encourage net billing pending the outcome of litigation in state court and at the Federal Energy Regulatory Commission.

In order to implement the waivers, the Board's order granting waivers required IES and Interstate to file tariff language consistent with the following:

> Net billing is defined as a metering arrangement in which recorded alternate energy kWh provided by the customer to the utility are netted against recorded kWh provided by

> the utility to the customer, on a monthly basis. Netted margin revenues are defined as rate revenues. . . offset through net billing. . .

IES and Interstate departed from the language contained in the Board's order. Their proposed tariff language states:

> Lost margin revenues are defined as the net decrease in utility rate revenues. . .associated with the kWhs that would have been sold to Customers had they not installed alternate energy production facilities.

The proposed tariff language filed by IES and Interstate goes beyond the waiver granted by the Board. IES and Interstate seek to recover not only the cost of net billing, but also any reduced revenues "lost" through AEP customers' self-generation. In the cover letter accompanying the proposed tariffs, IES and Interstate state that under the tariffs they "will receive the same margin as [they] would have had the Customer not installed an alternate energy production facility."

Put another way, IES and Interstate focus on whether the customer has an AEP facility rather than whether the customer is a net billing customer. Two examples can best explain the difference between IES's and Interstate's proposed tariffs and the waivers granted by the Board. In both examples, the customer is assumed to use 1,000 kWh per month and produce 1,000 kWh per month. Of the 1,000 kWh produced, the customer consumes 500 kWh for his own use and sends 500 kWh, on an intermittent basis, to the utility. The customer also takes 500 kWh, on an intermittent basis, from the utility.

The first example assumes the customer did not use net billing. Under the proposed tariffs, IES and Interstate would recover lost revenues for the sale of 500 kWhs because absent the AEP facility, the customer would have purchased 1,000 kWhs from the utilities. Under the waivers granted by the Board, there are no lost revenues because there is no decrease in sales associated with net billing.

The second example assumes the customer did use net billing. At the end of the month there is no net purchase or sale because the 500 kWh taken from the utility is offset by the 500 kWh sent to the utility. Under IES's and Interstate's proposed tariffs, however, lost revenues would be based on a decrease in sales of 1,000 kWh. This is because IES and Interstate, absent the AEP facility, would have sold 1,000 kWhs to the customer. Under the waivers granted by the Board, lost revenues would be based on 500 kWhs, which is the amount of kWh sales "lost" by the utilities through the use of net billing.

Because IES and Interstate seek compensation over and above the "lost revenues" associated with net billing, the Board will reject the proposed tariffs. However, the proposed tariffs can be refiled with changes similar to those listed below:

IES (Proposed Tariff Sheet No. 113):

> The estimated expenses in A, B and C on Sheet No. 112 and the actual expense in L above include ~~lost~~ netted margin revenues from qualifying alternate energy production facilities and small hydro facilities that use net billing. These facilities had to be placed into service after November 1, 1999. Net billing is defined as a metering arrangement in which recorded alternate energy kWhs

> provided by the customer to the utility are netted against recorded kWhs provided by the utility to the customer, on a monthly basis. Netted ~~Lost~~ margin revenues are defined as the net decrease in utility rate revenues, less the energy adjustment charges (Riders 2 and 5) and the energy efficiency charges (Rider 17), associated with the kWhs that would have been sold to Customers had they not used net billing ~~installed alternate energy production facilities~~.

Interstate (Proposed Tariff Sheet No. 32.1):

> The estimated expenses in A and B on Sheet No. 32 and the actual expense in L above include ~~lost~~ netted margin revenues from qualifying alternate energy production facilities and small hydro facilities that use net billing. These facilities had to be placed into service after November 1, 1999. Net billing is defined as a metering arrangement in which recorded alternate energy kWhs provided by the customer to the utility are netted against recorded kWhs provided by the utility to the customer, on a monthly basis. Netted ~~Lost~~ margin revenues are defined as the net decrease in utility rate revenues, less the energy adjustment charges (Riders 1E and 1AEP) and the energy efficiency charges (Rider EECR), associated with the kWhs that would have been sold to Customers had they not used net billing ~~installed alternate energy production facilities~~.

With the changes noted above, the terms of the Board's waivers would be satisfied because IES and Interstate would only be compensated through the energy adjustment clause for "lost revenues" associated with net billing, not for "lost revenues" associated with the installation of an AEP facility. IES and Interstate will be required to file proposed tariffs incorporating these changes within 30 days or notify the Board that they will not be filing tariffs at this time to implement the waivers.

As noted in the order granting waivers, the waivers are effective only upon approval of tariffs consistent with the terms of the waivers.

IT IS THEREFORE ORDERED:

1. Tariff filings TF-00-19 and TF-00-20 are rejected.

2. IES Utilities Inc. and Interstate Power Company shall file tariffs to implement the waivers granted in Docket Nos. WRU-99-38-150 and WRU-99-39-151, or notify the Board that they will not be filing tariffs to implement the waivers at this time.

UTILITIES BOARD

/s/ Allan T. Thoms

/s/ Susan J. Frye

ATTEST:

/s/ Raymond K. Vawter, Jr.
Executive Secretary

/s/ Diane Munns

Dated at Des Moines, Iowa, this 25th day of February, 2000.